



The United States Extractive Industries
Transparency Initiative

Tax Work Group Recommendations

March 8, 2016

Introduction



Background

In 2016, the MSG seeks to demonstrate progress by taking actions to encourage more companies to report and reconcile their federal corporate income tax payments.

The draft Dodd-Frank Sec.1504 rule requires publicly traded companies to disclose federal corporate income taxes.

Per the current SEC timeline for finalizing its 1504 draft rule, **calendar-year filers** are expected to report for the first time on their **2017 taxes** by the end of **May 2018**.

Out of the **41** in-scope companies for 2016, **32** use a calendar year for filing, **2** use a June fiscal year, and **7** have no filing information.

Tax Working Group Members

Curtis Carlson (Leader, G), Zorka Milin (C), and Aaron Padilla (I)

Recommendations

- 1 Webinars for Companies' Tax Staff
- 2 Industry Peer Discussions
- 3 Opt-in for Companies not In-Scope

#1 Webinars for Companies' Tax Staff



Background

Last year the IA and ONRR held webinars with companies' royalty payment accounting staff. These webinars contributed to understanding and participation. However, the staff focused on taxes did not attend.

Plan

The IA and Treasury will hold tax reporting and reconciliation webinars in Houston on March 22nd and in Denver on March 24th.

The goal is to increase understanding, encourage tax staff to participate, and answer questions in advance.

The IA will share its experience with the reporting and reconciliation process. Additionally, the IA will ask if member MSG companies (or reporting companies) will explain their experience with tax reporting and/or reconciliation.

Next Steps

Finalize webinar presentations and logistics.

#2 Industry Peer Discussions



Background

Conversations between peers at all levels within industry can address first-mover and other concerns.

Plan

Continue discussions between industry members and within trade associations, following the EITI Conference (Lima). Specifically, trade associations and companies will discuss the benefits of participating in USEITI.

Next Steps

Continue conversations.

#3 Opt-in for Companies not In-Scope



Background

There may be companies not in-scope that wish to report and/or reconcile federal corporate income taxes and DOI revenue as part of their corporate citizenship and transparency efforts.

Plan

Allow companies not in-scope to opt-in to tax (and DOI revenue) reporting and/or reconciliation. This is not an alternative to reporting requirements now or in the future.

Next Steps

Determine the level of outreach to companies not in-scope and a communication plan.

Other Discussions by Work Group



The tax work group also discussed ways to improve the accuracy of the aggregate corporate income tax number by only adding taxes paid by the in-scope companies rather than industry as a whole.

For example, this could be accomplished if a sufficient number of in-scope companies authorized the IRS to add their tax numbers, or if they agreed to provide them to the IA for confidential reporting and reconciliation. Public release of aggregate statistics would be subject to IRS disclosure rules.

The work group will continue to consider these options, taking into account the results of individual firm-level reporting and reconciliation.

Next Steps

To be determined.

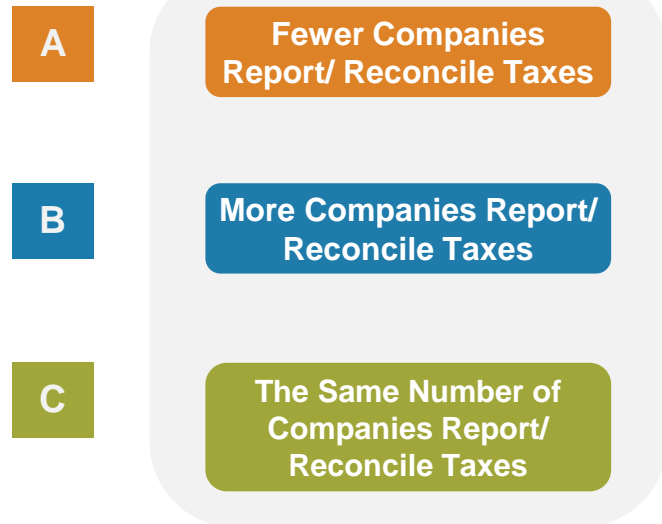
Validation Discussion



Taking these steps may not guarantee substantial additional reporting. The MSG needs to begin discussions about validation. In the future, these discussions will factor in feedback received from in-scope companies.

What does the path to **validation** look like under different scenarios?

Potential USEITI Results



Potential USEITI Validation Scenarios

Compliance via:

- (1) Reporting results, or
- (2) Adapted implementation, and/or
- (3) Mainstreaming

(4) **Noncompliance** with continued candidate status or suspension